

Message Text

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ACTION PM-04

INFO OCT-01 NEA-10 ISO-00 MC-02 SSO-00 OMB-01 TRSE-00

AID-05 IGA-02 INR-07 INRE-00 SS-15 /047 W

----- 055314

O 311510Z AUG 76

FM AMEMBASSY KUWAIT

TO CDR MICOM REDSTONE ARS AL//DRCPM-KMS-S//IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 6122

SECDEF WASHDC//ISA/DSAA//IMMEDIATE

DA WASHDC//DALO-ILM//IMMEDIATE//

USCINCEUR VAIHINGEN GER//ECJ4/7//IMMEDIATE

UNCLAS KUWAIT 4162

E.O. 11652: N/A

TAGS: MASS, KU

SUBJ: FMS CASE DA KUWAIT UCY

REF: (A) KUWAIT 4081 (NOTAL), (B) KUWAIT 4086,
(C) MICOM 272000Z AUG 76

1. SUMMARY. MINDEF SINGED LATEST VERSION (REF C) OF FMS CASE DA KUWAIT UCY, WITH COMMENTS, ON 30 AUGUST. TOTAL VALUE OF CASE APPROX \$54.5 M. THIS VERSION OF CASE DIFFERS FROM PREVIOUS VERSION (\$472 M) IN THAT THE CONTRACTOR IS RESPONSIBLE FOR PROVIDING HOUSING, TRANSPORTATION, SALARIES OF THIRD COUNTRY NATIONAL EMPLOYEES, AND OTHER AMENITIES. \$42.4 M CASE WAS BASED ON MOD'S DESIRE TO FURNISH THESE ITEMS AS AID-IN-KIND. MIN DEF'S ATTACHED COMMENTS (PARA 2 BELOW) APPEAR TO CONSIST OF A PLEA FOR THE USG TO NEGOTIATE THE FINAL PRICE TO THE LOWEST POSSIBLE FIGURE AND MAKE CERTAIN TECHNICAL CHANGES IN A FUTURE AMENDMENT. ALTHOUGH REPEATEDLY TOLD THAT THE INITIAL PAYMENT MUST BE ENCLOSED WITH SIGNED LOA, GOK DID NOT COMPLY WITH THIS REQUEST. HOWEVER, CHIEF USLOK HAS BEEN PROMISED THAT THE CHECK WOULD BE SENT TO EMBASSY WITHIN OG WEEK OF DATE OF SIGNING (AUG 30). END SUMMARY.

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2. CHIEF USLOK SUMMONED TO MOD ON 31 AUGUST TO DISCUSS

FMS CASE UCY. UPON ARRIVAL HE WAS HANDED SIGNED COPY OF CASE. ATTACHED WAS A LETTER TO AMBASSADOR FROM MINDEF SHAIKH SA'AD WITH ATTACHED STATEMENT WHICH HAS BEEN TRANSLATED AS FOLLOWS: (EMBASSY COMMELS INCLUDED AFTER EACH POINT IN LETTER): QUOTE

"WITH REFERENCE TO ALL THE CORRESPONDENCE ALUDING TO CASE UCY ON EQUIPMENT, TOOLS AND TECHNICAL SERVICES FOR IHAWK MISSILES PROJECT, I AM PLEASED TO ATTACH FOUR DULY SIGNED COPIES OF THE CASE, REQUESTING THAT YOU CONFIRM TO US IN WRITING THAT THE PRICES IN THIS CASE ARE THE SAME PRICES OFFERED TO OTHER STATES ESPECIALLY THE STATES OF THE AREA AND THEN TO ENTER INTOHNEGOTIATIONS WITH RAYTHEON COMPANY TO SEEK THE FOLLOWING:

"1. TO REDUCE MARGIN OF PROFIT TO 10 PERCENT INSTEAD OF 20 PERCENT." (COMMENT: GOK HAS BEEN TOLD THAT \$42.4M VERSION INCLUDED APPROX 20 PERCENT PROFIT. THROUGHOUT LATEST NEGOTIATIONS, GOK REPS HAVE INSISTED THAT THIS FIGURE WAS TOO HIGH AND IT SHOULD NOT BE OVER 10 PERCENT. MICOM REP (COL SMALL) INDICATED THAT SOME PROFIT COULD BE NEGOTIATED OUT BUT AT BEST NOT OVER 2 - 4 PERCENT.)

"2. TO REDUCE THE AMOUNT OF THE ITEM OF FINANCIAL ALLOWANCES PLACED ON THE COSTS OF EDUCATION AND LIVING IN KUWAIT AS WE NOTICED THAT THEY ARE MUCH EXAGGERATED." (COMMENT: GOK MAINTAINS THAT ESTIMATES FOR DEPENDENT EDUCATION AND COST OF LIVING ARE TOO HIGH. DURING RECENT DISCUSSIONS WITH MOD MINFIN JOINT COMMITTEE, WE ASSURED KUWAITIS THAT FIGURES CITED FOR EDUCATION AND COLA WERE BASED ON BEST CURRENT INFORMATION AVAILABLE.)

"3. TO REDUCE THE AMOUNT OF THE ITEM OF FINANCIAL ALLOWANCES FOR THE THIRD PARTY AS WE NOTICED, THROUGH OUR EXPERIENCE IN APPOINTING SIMILAR TECHNICIANS FOR THE KUWAITI ARMED FORCES, THAT THEY ARE ALSO EXAGGERATED." (COMMENT: IN ONE OF THE MANY VERSIONS OF UCY, THE FIGURES OF \$3501 WAS ESTIMATED AS THE MAN/MONTH COST OF THIRD COUNTRY NATIONAL EMPLOYEES (TCN). MOD INSISTS THAT THEY DO NOT PAY OTHER TCN'S THIS MUCH. WE HAVE NO INFO TO CONFIRM THIS.)

"4. TO NOTICE THAT THE PRICES OF RAYTHEON COMPANY ARE CALCULATED ON THE BASIS THAT THE TECHNICAL SERVICES WILL BE PROVIDED AS OF JULY 1976, WHILE THE SIGNING OF THIS CASE UNCLASSIFIED

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TOOK PLACE AT THE END OF AUGUST 1976." (COMMENT: THIS REFERS TO LN 4 CASE UCY; TECHNICALLY MOD IS CORRECT.)

"5. IN ORDER TO ADJUST THE FINANCIAL MATTERS, IT IS REQUESTED, IF POSSIBLE, THAT YOU PROVIDE US WITH A NEW CASE CONTAINING THE ABOVE POINTS AND THE TECHNICAL POINTS SET OUT IN THE STATEMENT ATTACHED." UNQUOTE. END OF LETTER. (COMMENT: FROM DISCUSSIONS WITH MOD REPS, IT APPEARS THAT MOD IS NOT ASKING FOR ANEW CASE BUT RATHER FOR AN WMENDMENT, WHERE

APPLICABLE, ADDRESSING THE ABOVE ITEMS AND THOSE INCLUDED IN ATTACHED STATEMENT. AS TO ITEMS 1, 2, AND 3, THEY ARE HOPING THAT DURING USG NEGOTIATIONS WITH RAYTHEON THESE COSTS CAN BE REDUCED WHICH WILL RESULT IN A LOWER OVERALL COST OF THE CASE. PARA 4 ABOVE CAN BE CORRECTED IN AN AMENDMENT.

3. STATEMENT ATTACHED TO BASIC LETTER TRANSLATED AS FOLLOWS:
(EMBASSY COMMENTS INCLUDED AFTER EACH POINT):

QUOTE

"1. FIX THE DATE OF DELIVERY OF THE ENVIRONMENTAL CONTROL ENCLOSURES ITEM 6 OF CASE UCY." (COMMENT: MOD REPS WANT MONTH OF DELIVERY INCLUDED IN NOTE.)

"2. WE SUGGEST THAT REMARK NO. 7 BE REWORDED TO FOX THE DATE OF DELIVERY OF EQUIPMENT ONLY AND NOT TO LINK THAT WITH THE DATE OF CONSTRUCTION OF THE CENTRAL COMPLEX AND STORES." (COMMENT: MOD WANTS TO ENSURE EQUIPMENT IS DELIVERED TO KUWAIT ON SET SCHEDULE AND NOT BASED ON CONSTRUCTION OF CSMC. THEY INDICATE THAT BUILDING WILL BE READY, BUT, IF NOT, THEY WILL PROVIDE BUILDING FOR EQUIPMENT. ANY ADDITIONAL MOVES OF EQUIPMENT WILL BE AT GOK EXPENSE. THIS IS A VERY TOUCHY POINT WITH MOD REPS AND EMBASSY SUGGESTS THAT SOME MUTUALLY AGREEABLE WORDING MIGHT BE FOUND.)

"3. CLARIFY REMARK NO. 1? AS "5 IS ANBIGUOUS." (COMMENT: MOD REPS DO NOT UNDERSTAND THE FULL MEANING OF THE SENTENCE IN NOTE 11 WHICH REFERS TO EQUIPMENT CHANGES OALATED TO RESEARCH AND DEVELOPMENT. THEY DO NOT THINK THIS REMARK BELONGS IN THIS PARTICULAR NOTE. THEY BELIEVE THAT IT SHOULD BE IN ANOTHER NOTE OR TOTALDSSEPARATED.)

"4. ADD THE FOLLOWING TO REMARK NO. 20: IN CASE THE EQUIPMENT MENTIONED IN THE CASE IS NOT AVAILABLE BEING NOT PRODUCED, ALTERNATE AND ADEQUATE EQUIPMENT MUST BE DELIVERED ON THE SAME DATES FIXED FOR ORIGINAL EQUIPMENT." (COMMENT: THIS SHOULD UNCLASSIFIED

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NOT PRESENT ANY PROBLEM.)

"5. CLARIFY THE REASONS FOR NOT ADDING 189 MAN/MONTH AS TO T EFFORT OF THE COMPANY IN THE UNITED STATES OF AMERICA, REMARK NO. 26." END QU

E OF STATEMENT. (COMMENT:

MOD REPS WANT ACTUAL NO. OF MAN/MONTHS INCLUDED IN AMENDMENT. NOTE CURRENTLY READS ZERO RPT ZERO. EMBASSY BELIEVES THIS NOT TO BE A MAJOR PROBLEM.)

4. CONCERNING NON-RECEIPT OF INITIAL \$12 M PAYMEHB, EMBASSY DOES NOT KNOW WHAT CAN BE DONE OTHER THAN WAIT FOR THE MHKFIN TO ISSUE CHECK. WE WILL VIGOROUSLY PRUSUE THIS MATTER IN AN ATTEMPT TO GET CHECK PRIOR TO THE MAXIMUM OF ONE WEEK PROMISED. CHECK WILL BE AIR MAILED AS SOON AS RECEIVED. HOWEVER, WE EXPECT GOK TO LIVE UP TO THEIR WORD.

5. NEGOTIATION OF CASE UCY HAS NOT BEEN EASY, BUT AMBASSADOR AND CHIEF USLOK MAINTAINED ALL POSSIBLE PRESSURE ON MOE TO REACH LONG-DELAYED DECISION ON THIS IMPORTANT CASE. AMBASSADOR BELIEVES THAT CAREFUL PREPARATION AND ARGUMENTATION ON PART OF CHIEF USLOK (COL DEWITT), ABLY SUPPORTED BY CDR MICOM (ESPECIALLY COL SMALL'S PRESENTATIONS AUG 21 - 22 REF A), EVENTUALLY CONVINCED MOD THAT PRESENT OFFER WAS BEST THAT COULD BE OBTAINED. FIRMNESS AND CONSISTENCY OF OUR POSITION, AFTER DOD AND STATE MADE SPECIAL EFFORTS TO REVIEW AND REFINE CASE PAID OFF IN YFD. ACTUAL DECISION BY GOK TO OPT FOR MORE COMPLETE CASE SEEMS TO US TO BE WISE DECISION WHICH WILL ALSO BENEFIT RAYTHEON OPERATION BY PLACING CONTROL OF ALL ADMINISTRATIVE ASPECTS OF THE CASE IN THEIR HANDS.

6. AS FAR AS EMBASSY IS CONCERNED, CASE IS SIGNED. ANYTHING THAT MICOM CAN DO TO MEET DEFMIN'S REQUESTS WILL BE APPRECIATED, BUT MOD WAS NOT RPT NOT LEFT WITH ANY IMPRESSION THAT THESE REQUESTS COULD BE MET IN FULL OR EVEN IN ANY SPECIFIC PART. IN ORDER TO WRAP UP CASE UCY, EMBASSY WOULD APPRECIATE PROMPT MICOM ACTION IN PROVIDING IT WITH AMENDMENT TO CASE FOR TRANSMISSION TO MOD. AMBASSADOR WOULD APPRECIATE WORDING FOR ANY STATEMENT HE COULD INCLUDE IN A LETTER TO SHAIKH SA'AD RELATING TO QUERY RE PRICES OFFERED TO STATES IN MIDEAST AREA FOR SIMILAR SERVICES.

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